

**Airtac International Group  
and Subsidiaries**

**Consolidated Financial Statements for the  
Nine Months Ended September 30, 2022  
and 2021 and  
Independent Auditors' Review Report**

*Note: The translation version is intended for reference only. If any inconsistency exists between the Chinese and English versions, the Chinese version shall govern.*

# **INDEPENDENT AUDITORS' REVIEW REPORT**

The Board of Directors and Shareholders  
Airtac International Group

## **Introduction**

We have reviewed the accompanying consolidated balance sheets of Airtac International Group and its subsidiaries (collectively, the “Company”) as of September 30, 2022 and 2021 the related consolidated statements of comprehensive income for the three months ended September 30, 2022 and 2021 and for the nine months then ended September 30, 2022 and 2021, the consolidated statements of changes in equity and cash flows for the nine months ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”). Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

## **Scope of Review**

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects the consolidated financial position of the Company as of September 30, 2022 and 2021, its consolidated financial performance for the three months ended September 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the nine months ended September 30, 2022 and 2021 in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Jui-Chuan Chih and Hui-Min Chen.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

November 2, 2022

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2022 (Reviewed)		December 31, 2021 (Audited)		September 30, 2021 (Reviewed)	
ASSETS	Amount	%	Amount	%	Amount	%
<b>CURRENT ASSETS</b>						
Cash and cash equivalents (Note 6)	\$ 4,258,508	8	\$ 4,374,302	9	\$ 4,614,489	10
Financial assets at fair value through profit or loss - current (Note 7)	-	-	16,855	-	16,680	-
Financial assets at amortized cost - current (Notes 8 and 30)	828,233	2	1,831,215	4	884,710	2
Notes receivable (Note 9)	2,564,502	5	2,092,888	5	2,572,018	6
Trade receivables (Notes 9 and 29)	5,971,669	11	5,389,837	11	5,983,426	13
Other receivables	21,745	-	22,976	-	25,360	-
Current tax assets (Note 4)	11,698	-	12,820	-	17,350	-
Inventories (Note 10)	6,942,271	13	5,301,683	11	4,367,122	9
Other current assets (Note 14)	295,053	1	271,628	1	273,948	1
Total current assets	20,893,679	40	19,314,204	41	18,755,103	41
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment (Notes 12 and 30)	28,408,708	54	24,466,511	51	23,553,371	51
Right-of-use assets (Note 13)	1,016,799	2	1,010,259	2	1,019,318	2
Other intangible assets	44,580	-	51,519	-	55,626	-
Deferred tax assets (Notes 4 and 22)	439,649	1	568,219	1	570,803	1
Other non-current assets (Note 14)	1,590,291	3	2,267,944	5	2,238,327	5
Total non-current assets	31,500,027	60	28,364,452	59	27,437,445	59
<b>TOTAL</b>	<b>\$ 52,393,706</b>	<b>100</b>	<b>\$ 47,678,656</b>	<b>100</b>	<b>\$ 46,192,548</b>	<b>100</b>
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Short-term loans (Note 15)	\$ 9,164,112	18	\$ 3,712,644	8	\$ 11,997,071	26
Short-term bills payable (Note 15)	300,000	1	780,000	2	1,150,000	3
Financial liabilities at fair value through profit or loss - current (Note 7)	-	-	981	-	443	-
Contract liabilities - current (Note 20)	62,489	-	68,712	-	57,823	-
Notes payable (Note 16)	200,906	-	226,223	-	239,113	1
Trade payables (Note 16)	831,975	2	1,076,830	2	935,472	2
Lease liability - current (Note 13)	68,880	-	60,825	-	63,583	-
Other payables (Note 17)	2,351,333	4	1,731,823	4	1,577,332	3
Current tax liabilities (Note 4)	454,948	1	606,389	1	430,656	1
Current portion of long-term loans (Notes 15 and 30)	-	-	766,500	2	766,500	2
Other current liabilities (Note 17)	224,300	-	188,513	-	162,656	-
Total current liabilities	13,658,943	26	9,219,440	19	17,380,649	38
<b>NON-CURRENT LIABILITIES</b>						
Lease liabilities (Note 13)	136,313	-	148,427	-	159,620	-
Long-term loans (Notes 15 and 30)	-	-	2,805,726	6	2,804,703	6
Deferred tax liabilities (Notes 4 and 22)	572,402	1	353,392	1	408,221	1
Total non-current liabilities	708,715	1	3,307,545	7	3,372,544	7
Total liabilities	14,367,658	27	12,526,985	26	20,753,193	45
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)</b>						
Share capital	2,000,000	4	2,000,000	4	1,890,250	4
Capital surplus	14,846,145	29	14,846,145	31	7,082,549	15
Retained earnings	21,525,234	41	19,529,933	41	17,924,145	39
Other equity	(352,686)	(1)	(1,232,155)	(2)	(1,465,447)	(3)
Total equity attributable to owners of the Company	38,018,693	73	35,143,923	74	25,431,497	55
<b>NON-CONTROLLING INTERESTS</b>	7,355	-	7,748	-	7,858	-
Total equity	38,026,048	73	35,151,671	74	25,439,355	55
<b>TOTAL</b>	<b>\$ 52,393,706</b>	<b>100</b>	<b>\$ 47,678,656</b>	<b>100</b>	<b>\$ 46,192,548</b>	<b>100</b>

The accompanying notes are an integral part of the consolidated financial statements.

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Sales (Notes 20 and 34)	\$ 6,077,173	100	\$ 6,663,429	100	\$ 19,808,521	100	\$ 19,632,353	100
OPERATING COSTS								
Cost of goods sold (Notes 10 and 21)	<u>3,262,883</u>	<u>54</u>	<u>3,384,194</u>	<u>51</u>	<u>10,820,108</u>	<u>55</u>	<u>10,021,046</u>	<u>51</u>
GROSS PROFIT	<u>2,814,290</u>	<u>46</u>	<u>3,279,235</u>	<u>49</u>	<u>8,988,413</u>	<u>45</u>	<u>9,611,307</u>	<u>49</u>
OPERATING EXPENSES								
(Note 21)								
Selling and marketing expenses	626,899	10	585,804	9	1,898,833	9	1,705,148	9
General and administrative expenses	305,934	5	505,533	8	821,844	4	1,015,791	5
Research and development expenses	184,819	3	152,205	2	543,778	3	441,850	2
Expected credit loss	<u>(6,376)</u>	<u>-</u>	<u>6,809</u>	<u>-</u>	<u>17,549</u>	<u>-</u>	<u>33,455</u>	<u>-</u>
Total operating expenses	<u>1,111,276</u>	<u>18</u>	<u>1,250,351</u>	<u>19</u>	<u>3,282,004</u>	<u>16</u>	<u>3,196,244</u>	<u>16</u>
PROFIT FROM OPERATIONS	<u>1,703,014</u>	<u>28</u>	<u>2,028,884</u>	<u>30</u>	<u>5,706,409</u>	<u>29</u>	<u>6,415,063</u>	<u>33</u>
NON-OPERATING INCOME AND EXPENSES (Note 21)								
Other income	28,369	1	22,947	1	76,133	-	73,262	-
Other gains and losses	105,275	2	83,470	1	386,070	2	(19,210)	-
Finance costs	<u>(34,424)</u>	<u>(1)</u>	<u>(54,164)</u>	<u>(1)</u>	<u>(103,475)</u>	<u>-</u>	<u>(149,139)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>99,220</u>	<u>2</u>	<u>52,253</u>	<u>1</u>	<u>358,728</u>	<u>2</u>	<u>(95,087)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,802,234	30	2,081,137	31	6,065,137	31	6,319,976	32
INCOME TAX EXPENSE (Notes 4 and 22)	<u>411,201</u>	<u>7</u>	<u>480,532</u>	<u>7</u>	<u>1,394,306</u>	<u>7</u>	<u>1,484,268</u>	<u>7</u>
NET PROFIT FOR THE PERIOD	<u>1,391,033</u>	<u>23</u>	<u>1,600,605</u>	<u>24</u>	<u>4,670,831</u>	<u>24</u>	<u>4,835,708</u>	<u>25</u>
OTHER COMPREHENSIVE INCOME								
Items that will not be reclassified subsequently to profit or loss:								
Exchange differences arising on translation to the presentation currency	305,956	5	(21,206)	-	1,083,920	5	(400,927)	(2)
Items that may be reclassified subsequently to profit or loss:								

(Continued)

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2022		2021		2022		2021	
	Amount	%	Amount	%	Amount	%	Amount	%
Exchange differences on translating foreign operations	<u>(55,612)</u>	<u>(1)</u>	<u>(3,541)</u>	<u>-</u>	<u>(204,482)</u>	<u>(1)</u>	<u>13,085</u>	<u>-</u>
Other comprehensive income for the period, net of income tax	<u>250,344</u>	<u>4</u>	<u>(24,747)</u>	<u>-</u>	<u>879,438</u>	<u>4</u>	<u>(387,842)</u>	<u>(2)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,641,377</u>	<u>27</u>	<u>\$ 1,575,858</u>	<u>24</u>	<u>\$ 5,550,269</u>	<u>28</u>	<u>\$ 4,447,866</u>	<u>23</u>
NET PROFIT								
ATTRIBUTABLE TO:								
Owner of the Company	\$ 1,391,166	23	\$ 1,600,763	24	\$ 4,671,193	24	\$ 4,836,237	25
Non-controlling interests	<u>(133)</u>	<u>-</u>	<u>(158)</u>	<u>-</u>	<u>362</u>	<u>-</u>	<u>(529)</u>	<u>-</u>
	<u>\$ 1,391,033</u>	<u>23</u>	<u>\$ 1,600,605</u>	<u>24</u>	<u>\$ 4,671,555</u>	<u>24</u>	<u>\$ 4,835,708</u>	<u>25</u>
TOTAL COMPREHENSIVE INCOME								
ATTRIBUTABLE TO:								
Owner of the Company	\$ 1,641,519	27	\$ 1,576,015	24	\$ 5,550,662	28	\$ 4,448,377	23
Non-controlling interests	<u>(142)</u>	<u>-</u>	<u>(157)</u>	<u>-</u>	<u>(393)</u>	<u>-</u>	<u>(511)</u>	<u>-</u>
	<u>\$ 1,641,377</u>	<u>27</u>	<u>\$ 1,575,858</u>	<u>24</u>	<u>\$ 5,550,269</u>	<u>28</u>	<u>\$ 4,447,866</u>	<u>23</u>
EARNINGS PER SHARE								
(Note 23)								
Basic	<u>\$ 6.96</u>		<u>\$ 8.47</u>		<u>\$ 23.36</u>		<u>\$ 25.59</u>	
Diluted	<u>\$ 6.95</u>		<u>\$ 8.47</u>		<u>\$ 23.34</u>		<u>\$ 25.57</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

**AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
(In Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity Attributable to Owners of the Company								
	Share Capital			Retained Earnings	Other Equity				
	Shares (In Thousands)	Ordinary Shares	Capital Surplus	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Remeasurement of Defined Benefit Plans	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2021	189,025	\$ 1,890,250	\$ 6,870,172	\$ 14,799,924	\$ (1,083,849)	\$ 6,262	\$ 22,482,759	\$ 8,369	\$ 22,491,128
Appropriation of 2020 earnings									
Cash dividends distributed by the Company	-	-	-	(1,712,016)	-	-	(1,712,016)	-	(1,712,016)
Compensation cost of employee share options	-	-	212,377	-	-	-	212,377	-	212,377
Net profit for the nine months ended September 30, 2021	-	-	-	4,836,237	-	-	4,836,237	(529)	4,835,708
Other comprehensive income for the nine months ended September 30, 2021, net of income tax	-	-	-	-	(387,860)	-	(387,860)	18	(387,842)
Total comprehensive income for the nine months ended September 30, 2021	-	-	-	4,836,237	(387,860)	-	4,448,377	(511)	4,447,866
BALANCE AT SEPTEMBER 30, 2021	<u>189,025</u>	<u>\$ 1,890,250</u>	<u>\$ 7,082,549</u>	<u>\$ 17,924,145</u>	<u>\$ (1,471,709)</u>	<u>\$ 6,262</u>	<u>\$ 25,431,497</u>	<u>\$ 7,858</u>	<u>\$ 25,439,355</u>
BALANCE AT JANUARY 1, 2022	200,000	\$ 2,000,000	\$ 14,846,145	\$ 19,529,933	\$ (1,238,417)	\$ 6,262	\$ 35,143,923	\$ 7,748	\$ 35,151,671
Appropriation of 2021 earnings									
Cash dividends distributed by the Company	-	-	-	(2,675,892)	-	-	(2,675,892)	-	(2,675,892)
Net profit for the nine months ended September 30, 2022	-	-	-	4,671,193	-	-	4,671,193	(362)	4,670,831
Other comprehensive income for the nine months ended September 30, 2022, net of income tax	-	-	-	-	879,469	-	879,469	(31)	879,438
Total comprehensive income for the nine months ended September 30, 2022	-	-	-	4,671,193	879,469	-	5,550,662	(393)	5,550,269
BALANCE AT SEPTEMBER 30, 2022	<u>200,000</u>	<u>\$ 2,000,000</u>	<u>\$ 14,846,145</u>	<u>\$ 21,525,234</u>	<u>\$ (358,948)</u>	<u>\$ 6,262</u>	<u>\$ 38,018,693</u>	<u>\$ 7,355</u>	<u>\$ 38,026,048</u>

The accompanying notes are an integral part of the consolidated financial statements.

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 6,065,137	\$ 6,319,976
Adjustments for:		
Depreciation expenses	1,576,832	1,257,531
Amortization expenses	12,897	12,679
Expected credit loss	17,549	33,455
Net gain on financial assets at fair value through profit or loss	(168,431)	(42,313)
Finance costs	103,475	149,139
Interest income	(76,133)	(73,262)
Compensation cost of employee share options	-	212,377
Loss (gain) on disposal of property, plant and equipment	76,190	83,110
Write-down of inventories	12,291	29,351
Net gain on foreign currency exchange	5,372	(13,723)
Changes in operating assets and liabilities:		
Increase in notes receivables	(405,029)	(201,126)
Increase in trade receivables	(435,350)	(1,451,432)
(Increase) decrease in other receivables	(3,290)	(964)
Increase in inventories	(1,475,351)	(831,932)
Increase in other current assets	(15,204)	(109,483)
(Decrease) increase in contract liabilities	(8,181)	(36,011)
Increase (decrease) in notes payables	(31,711)	116,532
Increase in trade payables	(275,562)	74,853
Increase in other payables	27,827	101,698
(Decrease) increase in other current liabilities	29,884	(123,440)
Cash generated from operations	5,033,212	5,507,015
Interest received	63,434	53,395
Interest paid	(107,980)	(152,575)
Income tax paid	(1,218,904)	(1,620,915)
Net cash generated from operating activities	<u>3,769,762</u>	<u>3,786,920</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets measured at amortized cost	(2,324,648)	(2,775,936)
Proceeds on sale of financial assets at amortized cost	3,389,254	3,227,647
Proceeds from sale of financial assets at fair value through profit or loss	175,466	76,576
Payments for property, plant and equipment	(4,471,497)	(2,707,424)
Proceeds from disposal of property, plant and equipment	39,837	31,650
Increase in refundable deposits	(13,426)	(42,116)
Decrease in refundable deposits	35,573	32,590
Acquisitions of intangible assets	(4,263)	(7,637)
Acquisitions of right-of-use assets	-	(26,358)

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# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2022	2021
Increase in prepayments for equipment	-	(1,357,221)
Net cash used in investing activities	(3,173,704)	(3,548,229)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term loans	5,445,004	2,487,690
Proceeds from short-term bills payables	-	50,000
Repayments of short-term bills payables	(480,000)	-
Repayments of long-term loans	(3,577,000)	(766,500)
Dividends paid to owners of the Company	(1,976,675)	(1,712,016)
Repayment of the principal portion of lease liability	(63,165)	(54,868)
Net cash generated from (used in) financing activities	(651,836)	4,306
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	(60,016)	11,059
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(115,794)	254,056
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	4,374,302	4,360,433
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>\$ 4,258,508</u>	<u>\$ 4,614,489</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

# **AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022 and 2021**

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

(Reviewed, Not Audited)

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### **1. GENERAL**

Airtac International Group (the “Company,” the Company and its subsidiaries are collectively referred to as the “Group”) was incorporated on September 16, 2009 in British Cayman Islands under reorganization mainly for the purpose of applying for listing on Taiwan Stock Exchange (“TWSE”). Admire Fame International Limited (“Admire Fame”), the Company’s parent company decided on December 23, 2009 with the approval of the shareholders to convert all stocks of Admire Fame to the stocks of the Company at the ratio of 1:1 (referred to as “stock swap” hereunder), and decided to dissolve and liquidate Admire Fame in 2010. Following the stock swap and reorganization, the Company becomes the holding company of a group of enterprises and engages in investment. The main businesses of other companies under the Group are set out in Note 11.

The Company’s stocks were listed on TWSE in December 2010.

The functional currency of the Company is RMB. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company’s stocks are listed on the Taiwan Stock Exchange.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the board of directors and issued on November 2, 2022.

### **3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS**

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC.

The initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies.

- b. The IFRSs endorsed by the FSC for application starting from 2023

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

Note 1: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 2: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

Note 3: Except for deferred taxes that will be recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

1) Amendments to IAS 1 “Disclosure of Accounting Policies”

The amendments specify that the Group should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

- (a) the Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- (b) the Group chose the accounting policy from options permitted by the standards;
- (c) the accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;

- (d) the accounting policy relates to an area for which the Group is required to make significant judgements or assumptions in applying an accounting policy, and the Group discloses those judgements or assumptions; or
  - (e) the accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.
- 2) Amendments to IAS 8 “Definition of Accounting Estimates”
- The amendments define that accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.
- 3) Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”
- The amendments clarify that the initial recognition exemption under IAS 12 does not apply to transactions in which equal taxable and deductible temporary differences arise on initial recognition. The Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations on January 1, 2022, and recognize the cumulative effect of initial application in retained earnings at that date. The Group will apply the amendments prospectively to transactions other than leases and decommissioning obligations that occur on or after January 1, 2022.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 16 “Leases Liability in a Sale and leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Group shall disclose information that enables users of financial statements to understand the risk of the Group that may have difficulty complying with the covenants and repay its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Group’s own equity instruments, and if such option is recognized separately as equity in accordance with IAS 32 “Financial Instruments: Presentation”, the aforementioned terms would not affect the classification of the liability.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuingly assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of Compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in the

consolidated financial statements is less than those required in a complete set of annual financial statements.

b. Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries, including structured entities).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11, Table 2 and Table 8 for the detailed information of subsidiaries (including the percentage of ownership and main business).

d. Other significant accounting policies

Except for the following, please refer to the consolidated financial statements for the year ended December 31, 2021.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

## 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The Group considers the possible impact of the recent development of the COVID-19 in Taiwan and its economic environment implications when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

## 6. CASH AND CASH EQUIVALENTS

	September 30, 2022	December 31, 2021	September 30, 2021
Cash on hand	\$ 715	\$ 1,045	\$ 459
Check accounts	45,977	46,996	28,127
Demand deposits	2,416,788	1,599,573	2,090,670
Cash equivalent (investments with original maturities of less than 3 months)			
Time deposits	1,795,028	2,726,688	2,495,233
	<u>\$ 4,258,508</u>	<u>\$ 4,374,302</u>	<u>\$ 4,614,489</u>

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Financial assets - current</u>			
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
— Foreign exchange forward contracts	\$ -	\$ 7,444	\$ 7,350

	September 30, 2022	December 31, 2021	September 30, 2021
Non-derivative financial assets			
— Mutual funds	-	9,411	9,330
	\$ -	\$ 16,855	\$ 16,680
	September 30, 2022	December 31, 2021	September 30, 2021
Financial liabilities - current			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
— Foreign exchange forward contracts	\$ -	\$ 981	\$ 443

At the end of the reporting period, outstanding interest rate swap contracts not under hedge accounting were as follows:

September 30, 2022: None

December 31, 2021

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	RMB /NTD	2022.01.18~2022.03.31	RMB 972,470/ NTD 4,210,842

September 30, 2021

	Currency	Maturity Date	Notional Amount (In Thousands)
Buy	RMB /NTD	2021.10.15~2021.12.30	RMB 802,070/ NTD 3,434,890

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2022	December 31, 2021	September 30, 2021
Current			
Time deposits with original maturity of more than 3 month	\$ 6,483	\$ 6,188	\$ 6,132
Restricted bank deposits	38,021	36,924	15,068
Structured deposits	783,729	1,788,103	863,510
	\$ 828,233	\$ 1,831,215	\$ 884,710

Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.



## 9. NOTES RECEIVABLE AND TRADE RECEIVABLES

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Notes receivable</u>			
At amortized cost			
Notes receivable - operating	\$ 2,587,456	\$ 2,115,481	\$ 2,595,157
Less: Allowance for impairment loss	( <u>22,954</u> )	( <u>22,593</u> )	( <u>23,139</u> )
	<u>\$ 2,564,502</u>	<u>\$ 2,092,888</u>	<u>\$ 2,572,018</u>
<u>Trade receivables</u>			
At amortized cost			
Gross carrying amount	\$ 6,043,524	\$ 5,442,143	\$ 6,107,063
Less: Allowance for impairment loss	( <u>71,855</u> )	( <u>52,306</u> )	( <u>123,637</u> )
	<u>\$ 5,971,669</u>	<u>\$ 5,389,937</u>	<u>\$ 5,983,426</u>

The average credit period of sales of goods was 30 to 90 days. No interest was charged on trade receivables. Credit rating information is obtained from independent rating agencies where available or, if not available, the Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

## September 30, 2022

	Not Past Due	Less than 90 days	91 to 180 days	181 to 365 days	366 to 547 days	548 to 730 days	Over 731 days	Total
Expected credit loss rate	0.41%	3.95%	44.36%	62.99%	82.56%	86.86%	100.00%	
Gross carrying amount	\$ 8,245,152	\$ 329,184	\$ 10,818	\$ 3,586	\$ 4,650	\$ 5,091	\$ 32,499	\$ 8,630,980
Loss allowance (Lifetime ECL)	( 34,000)	( 12,991)	( 4,799)	( 2,259)	( 3,839)	( 4,422)	( 32,499)	( 94,809)
Amortized cost	<u>\$ 8,211,152</u>	<u>\$ 316,193</u>	<u>\$ 6,019</u>	<u>\$ 1,327</u>	<u>\$ 811</u>	<u>\$ 669</u>	<u>\$ -</u>	<u>\$ 8,536,171</u>

## December 31, 2021

	Not Past Due	Less than 90 days	91 to 180 days	181 to 365 days	366 to 547 days	548 to 730 days	Over 731 days	Total
Expected credit loss rate	0.36%	3.53%	26.50%	43.57%	84.33%	92.36%	100%	
Gross carrying amount	\$ 7,280,949	\$ 221,171	\$ 17,319	\$ 2,979	\$ 957	\$ 1,662	\$ 32,587	\$ 7,557,624
Loss allowance (Lifetime ECL)	( 26,272)	( 7,811)	( 4,589)	( 1,298)	( 807)	( 1,535)	( 32,587)	( 74,899)
Amortized cost	<u>\$ 7,254,677</u>	<u>\$ 213,360</u>	<u>\$ 12,730</u>	<u>\$ 1,681</u>	<u>\$ 150</u>	<u>\$ 127</u>	<u>\$ -</u>	<u>\$ 7,482,725</u>

## September 30, 2021

	Not Past Due	Less than 90 days	91 to 180 days	181 to 365 days	366 to 547 days	548 to 730 days	Over 731 days	Total
Expected credit loss rate	1.02%	3.43%	22.60%	40.33%	83.51%	92.09%	100.00%	
Gross carrying amount	\$ 8,362,375	\$ 277,337	\$ 10,087	\$ 2,083	\$ 6,215	\$ 1,213	\$ 42,910	\$ 8,702,220
Loss allowance (Lifetime ECL)	( 84,914)	( 9,525)	( 2,280)	( 840)	( 5,190)	( 1,117)	( 42,910)	( 146,776)
Amortized cost	<u>\$ 8,277,461</u>	<u>\$ 267,812</u>	<u>\$ 7,807</u>	<u>\$ 1,243</u>	<u>\$ 1,025</u>	<u>\$ 96</u>	<u>\$ -</u>	<u>\$ 8,555,444</u>

The movements of the loss allowance of note receivables were as follows:

		For the Nine Months Ended September 30	
		2022	2021
Balance at January 1		\$ 22,593	\$ 23,377
Add: Net remeasurement of loss allowance		-	135
Less: Net remeasurement of loss allowance	( 283)		-
Effects of foreign currency exchange differences	373		( 373)
Balance at September 30		<u>\$ 22,954</u>	<u>\$ 23,139</u>

The movements of the loss allowance of trade receivables were as follows:

		For the Nine months Ended September 30	
		2022	2021
Balance at January 1		\$ 52,306	\$ 92,313
Add: Amounts recovered		58	28
Add: Net remeasurement of loss allowance		17,832	33,320
Effects of foreign currency exchange differences	1,659		( 2,024)
Balance at September 30		<u>\$ 71,855</u>	<u>\$ 123,637</u>

## 10. INVENTORIES

	September 30, 2022	December 31, 2021	September 30, 2021
Raw materials	\$ 1,714,365	\$ 1,468,987	\$ 1,335,669
Finished goods	3,063,258	2,409,144	1,763,514
Work in progress	<u>2,164,648</u>	<u>1,423,552</u>	<u>1,267,939</u>
	<u>\$ 6,942,271</u>	<u>\$ 5,301,683</u>	<u>\$ 4,367,122</u>

The cost of inventories recognized as cost of goods sold for the three months and nine months ended September 30, 2022 and 2021 were \$3,262,883 thousand, \$3,384,194 thousand, \$10,820,108 thousand and \$10,021,046 thousand, respectively. The cost of goods sold included inventory write-downs for the three months and nine months ended September 30, 2022 and 2021, were \$3,831 thousand, \$7,835 thousand, \$12,291 thousand and \$29,351 thousand, respectively.

## 11. SUBSIDIARIES

### Subsidiaries included in the consolidated financial statements

The consolidated entities were as follows:

Name of investing company	Name of subsidiary	% of Ownership		
		September 30, 2022	December 31, 2021	September 30, 2021
Airtac International Group	AIRTAC TRADING (HONG KONG) LIMITED	100	100	100
	AIRTAC INDUSTRIAL (HONG KONG) LIMITED	100	100	100
	INSTANT REACH INTERNATIONAL LIMITED	100	100	100
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	100	100	100
AIRTAC INDUSTRIAL (HONG KONG) LIMITED	Ningbo Airtac Automatic Industrial Co., Ltd.	100	100	100
	Guangdong Airtac Automatic Industrial Co., Ltd.	100	100	100
	Airtac (China) Co., Ltd.	100	100	100
	Airtac (Jiangsu) Automatic Co., Ltd.	100	100	100
INSTANT REACH INTERNATIONAL LIMITED	ATC (ITALIA) S.R.L.	100	100	100
	Airtac Enterprise Co., Ltd.	69.44	69.44	69.44
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	100	100	100
	Airtac Co., Ltd.	100	100	100
	AIRTAC USA CORPORATION	100	100	100
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	100	100	100
	AIRTAC INDUSTRIAL CO., LTD.	100	100	100
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	100	100	100
	Airtac (Tianjin) Intelligent Technology Co., Ltd.	100	100	100
	Airtac (Fujian) Intelligent Equipment Co., Ltd.	100	100	100

(1) AIRTAC TRADING (HONG KONG) LIMITED, AIRTAC INDUSTRIAL (HONG KONG) LIMITED, INSTANT REACH INTERNATIONAL LIMITED and AIRTAC HOLDING

(SINGAPORE) PTE. LTD. are primarily holding companies.

- (2) Ningbo Airtac Automatic Industrial Co., Ltd. was established on August 16, 2001 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic components, Actuator components, air preparation components, and pneumatic accessories. Guangdong Airtac Automatic Industrial Co., Ltd. (previously Guangzhou Airtac Automatic Industrial Co., Ltd.) was established on December 31, 2006 with an operation period of 50 years, and engages primarily in the production of pneumatic and hydraulic control components, Actuator components, air preparation components, and pneumatic accessories. Airtac (China) Co., Ltd. was established on May 6, 2011 with an operation period of 50 years, and engages primarily in the production, R&D, distribution, storage of industrial control components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services. Airtac (Jiangsu) Automatic Co., Ltd. primarily in the production, distribution, storage of industrial con was established on July 2, 2015 with an operation period of 50 years, and engages troll components, pneumatic components, hydraulic components, pneumatic whole set equipment, wind power tools, electric tools, low-voltage electric appliances, and hand tools, import and export of the aforementioned products and support services.
- (3) Airtac Enterprise Co., Ltd. was established on May 9, 1989 and engages primarily in the processing and sales of machinery and automated machines, manufacturing, processing and sales of hydraulic/pneumatic parts and components, and import and export trade of the aforementioned products. ATC (ITALIA) S.R.L. was established on June 10, 2008 and engages primarily in the production and sales of pneumatic and hydraulic control components.
- (4) AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD. was established on August 11, 2011 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac Co., Ltd. was established on April 18, 2013 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. AIRTAC USA CORPORATION was established on November 4, 2016 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components.
- (5) AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD. was established on July 16, 2013 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. AIRTAC INDUSTRIAL CO., LTD. was established on April 21, 2015 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components.
- (6) Guangdong Airtac Intelligent Equipment Co., Ltd. was established on November 30, 2016 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components. Airtac (Tianjin) Intelligent Technology Co., Ltd. was established on September 20, 2017 and engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components, importing and exporting of the aforementioned products and support services. Airtac (Fujian) Intelligent Equipment Co., Ltd. was established on July 18, 2018 and

engages in the production and sales of pneumatic and hydraulic control components, actuators, air preparation units, pneumatic auxiliary components, importing and exporting of the aforementioned products and support services.

## 12. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2022	December 31, 2021	September 30, 2021
Assets used by the Group	\$28,295,229	\$24,353,723	\$23,440,743
Assets leased under operating leases	113,479	112,788	112,628
	<u>\$28,408,708</u>	<u>\$24,466,511</u>	<u>\$23,553,371</u>

### (1) Assets used by the Group

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Office facilities and other equipment	Property in construction	Total
<b>Cost</b>							
Balance at January 1, 2022	\$ 890,359	\$ 12,736,461	\$ 14,615,907	\$ 415,282	\$ 1,920,056	\$ 1,150,496	\$ 31,728,561
Additions	-	108,286	3,576,277	33,504	311,743	997,956	5,027,766
Disposals	-	-	( 446,841)	( 22,807)	( 116,908)	-	( 586,556)
Transfers to assets leased under operating leases	-	38,194	-	-	-	( 38,194)	-
Reclassification	-	258,815	338,020	11,786	48,826	40,721	698,168
Balance at September 30, 2022	<u>\$ 890,359</u>	<u>\$ 13,141,756</u>	<u>\$ 18,083,363</u>	<u>\$ 437,765</u>	<u>\$ 2,163,717</u>	<u>\$ 2,150,979</u>	<u>\$ 36,867,939</u>
<b>Accumulated depreciation and impairment</b>							
Balance at January 1, 2022	\$ -	\$ 1,769,648	\$ 4,267,055	\$ 243,292	\$ 1,094,843	\$ -	\$ 7,374,838
Depreciation expense	-	229,458	1,002,464	40,486	226,288	-	1,498,696
Disposals	-	-	( 333,483)	( 21,614)	( 115,432)	-	( 470,529)
Effects of foreign currency exchange differences	-	61,315	82,442	5,024	20,924	-	169,705
Balance at September 30, 2022	<u>\$ -</u>	<u>\$ 2,060,421</u>	<u>\$ 5,018,478</u>	<u>\$ 267,188</u>	<u>\$ 1,226,623</u>	<u>\$ -</u>	<u>\$ 8,572,710</u>
Carrying amounts at September 30, 2022	<u>\$ 890,359</u>	<u>\$ 11,081,335</u>	<u>\$ 13,064,885</u>	<u>\$ 170,577</u>	<u>\$ 937,094</u>	<u>\$ 2,150,979</u>	<u>\$ 28,295,229</u>
Carrying amounts at December 31, 2021 and January 1, 2022	<u>\$ 890,359</u>	<u>\$ 10,966,813</u>	<u>\$ 10,348,852</u>	<u>\$ 171,990</u>	<u>\$ 825,213</u>	<u>\$ 1,150,496</u>	<u>\$ 24,353,723</u>
<b>Cost</b>							
Balance at January 1, 2021	\$ 890,359	\$ 11,782,066	\$ 12,528,334	\$ 382,072	\$ 1,636,360	\$ 1,068,467	\$ 28,287,658
Additions	-	52,388	1,576,591	44,913	222,583	997,112	2,893,587
Disposals	-	( 77,649)	( 227,802)	( 19,263)	( 53,463)	-	( 378,177)
Transfers to assets leased under operating leases	-	( 46,446)	-	-	-	-	( 46,446)
Reclassification	-	579,336	-	-	-	( 579,336)	-
Effects of foreign currency exchange differences	-	( 113,277)	( 182,876)	( 4,745)	( 29,968)	( 20,697)	( 351,563)
Balance at September 30, 2021	<u>\$ 890,359</u>	<u>\$ 12,176,418</u>	<u>\$ 13,694,247</u>	<u>\$ 402,977</u>	<u>\$ 1,775,512</u>	<u>\$ 1,465,546</u>	<u>\$ 30,405,059</u>
<b>Accumulated depreciation and impairment</b>							
Balance at January 1, 2021	\$ -	\$ 1,527,507	\$ 3,454,951	\$ 217,100	\$ 964,095	\$ -	\$ 6,163,653
Depreciation expense	-	208,705	766,065	39,702	166,253	-	1,180,725
Disposals	-	( 27,617)	( 165,871)	( 17,331)	( 52,598)	-	( 263,417)
Effects of foreign currency exchange differences	-	( 8,898)	-	-	-	-	( 8,898)
Effects of foreign currency exchange differences	-	( 13,425)	( 63,511)	( 9,083)	( 21,728)	-	( 107,747)
Balance at September 30, 2021	<u>\$ -</u>	<u>\$ 1,686,272</u>	<u>\$ 3,991,634</u>	<u>\$ 230,388</u>	<u>\$ 1,056,022</u>	<u>\$ -</u>	<u>\$ 6,964,316</u>
Carrying amounts at September 30, 2021	<u>\$ 890,359</u>	<u>\$ 10,490,146</u>	<u>\$ 9,702,613</u>	<u>\$ 172,589</u>	<u>\$ 719,490</u>	<u>\$ 1,465,546</u>	<u>\$ 23,440,743</u>

No impairment assessment was performed for the nine months ended September 30, 2022 and 2021 as there was no indication of impairment.

The above items of property, plant and equipment were depreciated on a straight-line basis over the estimated useful life of the asset:

Buildings and structures	
Main Buildings	40-50 years
Engineering systems	10-20 years
Machinery and equipment	5-20 years
Transportation equipment	5 years
Office equipment and other equipment	3-15 years

Refer to Note 30 for the carrying amount of property, plant and equipment pledged by the Group to secure bank loans.

(2) Assets leased under operating leases

	<u>Buildings</u>
<u>Cost</u>	
Balance at January 1, 2022	\$138,424
Effect of foreign currency exchange differences	<u>4,112</u>
Balance at September 30, 2022	<u>\$142,536</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2022	\$ 25,636
Depreciation expenses	2,632
Effect of foreign currency exchange differences	<u>789</u>
Balance at September 30, 2022	<u>\$ 29,057</u>
Carrying amounts at September 30 , 2022	<u>\$113,479</u>
Carrying amounts at December 31, 2021 and January 1, 2022	<u>\$112,788</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 92,605
Transfers from assets used by the Group	46,446
Effect of foreign currency exchange differences	( <u>1,870</u> )
Balance at September 30, 2021	<u>\$137,181</u>
<u>Accumulated depreciation</u>	
Balance at January 1, 2021	\$ 13,778
Transfers from assets used by the Group	8,898
Depreciation expenses	2,187
Effect of foreign currency exchange differences	( <u>310</u> )
Balance at September 30, 2021	<u>\$ 24,553</u>
Carrying amounts at September 30 , 2021	<u>\$112,628</u>

Operating leases relate to leases of buildings with lease terms between 1 to 10 years. The lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Year 1	\$ 5,217	\$ 3,791	\$ 2,416
Year 2	2,763	4,109	4,926
Year 3	2,616	2,454	2,912
Year 4	2,462	2,576	2,510
Year 5	1,161	2,014	2,361
Year 5 onwards	<u>3,844</u>	<u>4,485</u>	<u>4,995</u>
	<u>\$ 18,117</u>	<u>\$ 19,429</u>	<u>\$ 20,120</u>

The above items of property, plant and equipment leased under operating leases are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings

Main Buildings

40 years

### 13. LEASE AGREEMENT

#### (1) Right-of-use assets

	September 30, 2022	December 31, 2021	September 30, 2021
Carrying amount			
Land	\$ 811,042	\$ 801,540	\$ 798,933
Buildings	205,757	208,667	220,265
Transportation equipment	<u>-</u>	<u>52</u>	<u>120</u>
	<u>\$1,016,799</u>	<u>\$1,010,259</u>	<u>\$1,019,318</u>

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Additions to right-of-use assets			<u>\$ 51,376</u>	<u>\$ 93,262</u>
Depreciation of right-of-use assets				
Land	\$ 4,722	\$ 4,588	\$ 14,157	\$ 13,691
Buildings	21,172	19,549	61,295	59,207
Transportation equipment	<u>-</u>	<u>755</u>	<u>52</u>	<u>1,721</u>
	<u>\$ 25,894</u>	<u>\$ 24,892</u>	<u>\$ 75,504</u>	<u>\$ 74,619</u>

#### (2) Lease Liabilities

	September 30, 2022	December 31, 2021	September 30, 2021
Carry amount			
Current	<u>\$ 68,880</u>	<u>\$ 60,825</u>	<u>\$ 63,583</u>
Non-current	<u>\$ 136,313</u>	<u>\$ 148,427</u>	<u>\$ 159,620</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Buildings	1.79%~4.35%	1.79%~4.35%	1.79%~4.35%

(3) Material terms of right-of-use assets

The Company lease lands and buildings mainly for the use of offices and logistic centers with lease terms of 1 to 7 years for the nine months ended September 30, 2022. The prepayments for leases is applicable to the land use right located in Mainland China with lease terms of 50 years. The Company does not have purchase options to acquire the leasehold buildings at the end of the lease terms.

(4) Other lease information

Lease arrangements under operating leases for the leasing out of investment properties are set out in Note 12.

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2022	2021	2022	2021
Expenses relating to short-term leases	\$ 6,565	\$ 5,585	\$ 20,286	\$ 13,839
Total cash outflow for leases			\$ 87,056	\$ 101,964

All lease commitments with lease terms commencing after the balance sheet dates are as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Lease commitments	\$ 11,552	\$ 10,825	\$ 15,821

## 14. OTHER ASSETS

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Prepayments	\$ 84,327	\$ 115,890	\$ 146,610
Prepaid expenses	126,083	114,217	80,585
Excess VAT paid	83,447	41,372	46,750
Others	1,196	149	3
	<u>\$ 295,053</u>	<u>\$ 271,628</u>	<u>\$ 273,948</u>
<u>Non-current</u>			
Prepayments for equipment	\$ 1,564,179	\$ 2,220,286	\$ 2,191,150
Refundable deposits	19,155	40,701	40,220
Net defined benefit assets	6,957	6,957	6,957
	<u>\$ 1,590,291</u>	<u>\$ 2,267,944</u>	<u>\$ 2,238,327</u>



## 15. LOANS

### (1) Short-term loans

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Unsecured loans</u>			
Line of credit loans	<u>\$ 9,164,112</u>	<u>\$ 3,712,644</u>	<u>\$ 11,997,071</u>

The range of interest rate on bank loans were 0.92%-3.15%, 0.79%-0.94%, and 0.43%-1.00% per annum as of September 30, 2022, December 31, 2021, and September 30, 2021, respectively.

### (2) Short-term bills payable

	September 30, 2022	December 31, 2021	September 30, 2021
Commercial paper	<u>\$ 300,000</u>	<u>\$ 780,000</u>	<u>\$ 1,150,000</u>

Outstanding short-term bills payable were as follows:

#### September 30, 2022

<u>Promissory Institutions</u>	<u>Nominal amount</u>	<u>Discount amount</u>	<u>Discount amount</u>
<u>Commercial paper</u>			
International Bills	<u>\$ 300,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>

#### December 31, 2021

<u>Promissory Institutions</u>	<u>Nominal amount</u>	<u>Discount amount</u>	<u>Discount amount</u>
<u>Commercial paper</u>			
TaChing Bills	\$ 200,000	\$ -	\$ 200,000
China Bills	200,000	-	200,000
Mega Bills	200,000	-	200,000
International Bills	<u>180,000</u>	<u>-</u>	<u>180,000</u>
	<u>\$ 780,000</u>	<u>\$ -</u>	<u>\$ 780,000</u>

#### September 30, 2021

<u>Promissory Institutions</u>	<u>Nominal amount</u>	<u>Discount amount</u>	<u>Discount amount</u>
<u>Commercial paper</u>			
Grand Bills	\$ 200,000	\$ -	\$ 200,000
International Bills	200,000	-	200,000
Mega Bills	200,000	-	200,000
TaChing Bills	200,000	-	200,000
China Bills	200,000	-	200,000
TC Bills	<u>150,000</u>	<u>-</u>	<u>150,000</u>
	<u>\$ 1,150,000</u>	<u>\$ -</u>	<u>\$ 1,150,000</u>

- a. The payables of the commercial paper have not been discounted, because the effect was not material.
- b. The range of interest rate on short-term bills were 1.538%, 0.878% and 0.978% per annum as of September 30, 2022, December 31, 2021 and September 30, 2021, respectively.

(3) Long-term loans

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Secured loans</u>			
Between March 2018 and March 2023 (with interest rate of 1.7895%)	\$ -	\$ 3,577,000	\$ 3,577,000
Deduct: Current portion	-	( 766,500 )	( 766,500 )
Deduct: Syndication loan charge fee	-	( 4,774 )	( 5,797 )
Long-term loans	<u>\$ -</u>	<u>\$ 2,805,726</u>	<u>\$ 2,804,703</u>

In March, 2018, the Group signed a \$6,000,000 thousand syndicated loan (the Loan) with Mega International Commercial Bank and 12 other participating banks. The Loan is composed by three kinds of loans. The first one is a secured loan in the amount of \$2,200,000 thousand. This loan is to repay the existing bank loans. The Loan is effective in 3 months since February 12, 2018 and the undrawn facilities will be automatically cancelled as the effective term terminated. As of September 30, 2021, the Group draw all the amount of this loan. The second one is a secured loan in the amount of \$3,300,000 thousand. This loan is to support the capital needs of Phase 2 factory and manufacturing productivity expansion plan in Tainan ShuGu Park. The Loan is effective in 18 months after the first draw and the undrawn facilities will be automatically cancelled as the effective term terminated. As of September 30, 2022, the Group draw in the amount of \$2,910,000 thousand of this loan. The third one is an unsecured loan in the amount of \$500,000 thousand on a revolving basis. The purpose of this loan is for providing medium-term working capital. As of September 30, 2021, the Group draw all the amount of this loan. If the Group meet all criteria in 5 years after the first draw, the Group could apply to Mega International Commercial Bank for extending the credit period for two years once in written application. The principal will be payable after two years from the first draw of the first and second loans in 7 semiannually installments. The first to the sixth installment will be calculated at a repayable amount equal to 7.5% of the outstanding principal prior to the day before the first installment and the 55% remainder principal will be repaid in full on the maturity date. Each credit of the third loan would be repaid in full on each maturity date. During the loan period, financial ratios of the Group comply with predetermined financial covenants since year 2018. The Group has repaid all borrowings on April 25, 2022.

Refer to Note 30 for the information relating to the Group's assets pledged as collateral bank loans.

## 16. NOTES PAYABLE AND TRADE PAYABLES

The Group's average credit terms of purchasing goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within pre-agreed credit terms.

## 17. OTHER LIABILITIES

	September 30, 2022	December 31, 2021	September 30, 2021
<u>Current</u>			
Other payables			
Salaries and bonus	\$ 969,274	\$ 984,449	\$ 960,920
Payables for dividends	699,217	-	-
Payables for purchase of equipment	484,453	625,968	493,119
Others	198,389	121,406	123,293
	<u>\$ 2,351,333</u>	<u>\$ 1,731,823</u>	<u>\$ 1,577,332</u>
Other current liabilities			
Other taxes	\$ 208,488	\$ 171,026	\$ 146,396
Others	15,812	17,487	16,260
	<u>\$ 224,300</u>	<u>\$ 188,513</u>	<u>\$ 162,656</u>

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

Airtac Enterprise Co. Ltd. of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in China and Italy are members of a state-managed retirement benefit plan operated by the government of China and Italy. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### b. Defined benefit plans

The defined benefit plan adopted by Airtac Enterprise Co. Ltd. of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the nine months before retirement. Airtac Enterprise Co. Ltd. contribute amounts to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one

appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

## 19. EQUITY

### a. Share capital

#### Ordinary shares

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
Numbers of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>200,000</u>	<u>200,000</u>	<u>189,025</u>
Shares issued	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 1,890,250</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

On May 28, 2021 the Company’s board of directors resolved to issue 10,975 thousand ordinary shares with a par value of NT\$10, for a consideration of NT\$718 per share which increased the share capital issued and fully paid to \$2,000,000 thousand. On September 3, 2021, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be October 15, 2021

### b. Capital surplus

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>
<u>Used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Issuance of ordinary shares	\$ 14,099,953	\$ 14,099,953	\$ 6,123,980
Organization Reconstruction	704,640	704,640	704,640
Donations	<u>41,552</u>	<u>41,552</u>	<u>41,552</u>
	14,846,145	14,846,145	6,870,172
<u>May not be used for any purpose</u>			
Employee share options	<u>-</u>	<u>-</u>	<u>212,377</u>
	<u>\$ 14,846,145</u>	<u>\$ 14,846,145</u>	<u>\$ 7,082,549</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company’s capital surplus and once a year).
- 2) The Company issued new ordinary shares in October 2021. The Company reserved 1,098 thousand of the newly issued shares for employees to subscribe. The

compensation cost calculated by Black-Scholes evaluation model was \$212,377 thousand and the amount was transferred to the capital surplus.

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Articles, the Company may, by a resolution adopted by a majority of the Directors who represent two-thirds or more of the total number of Directors in a board meeting, distribute to the Members, in the form of cash, all or a portion of its dividends and bonuses and/or legal reserve and capital reserve derived from issuance of new shares at a premium or from gifts received by the Company, and shall subsequently report such distribution to a shareholders' meeting.

Under the dividends policy as set forth in the Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve of 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. At least 50% of the balance of net income less accumulated deficit, legal reserve and special reserve should be appropriated as dividends. The cash dividends should be at least 10% of total dividends declared.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, please refer to employees' compensation and remuneration of directors and supervisors in Note 21 f.

The Company appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC on April 6, 2012 and the directive entitled "Questions and Answers on Special Reserves Appropriated Following the Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

The above 2021 appropriations for cash dividends had been resolved by the Company's board of directors on March 4, 2022 and the report of such distribution will be submitted to the shareholder's meeting on June 16, 2022. The board of directors had resolved to issue cash dividends from capital surplus of RMB \$600,000 thousand, RMB \$3 per share. The actual amount converted and paid in New Taiwan Dollars were NT\$2,675,892 thousand, 13.38 per share.

The above 2020 appropriations for cash dividends had been resolved by the Company's board of directors on March 8, 2021 and the report of such distribution is submitted to the shareholder's meeting on July 5, 2021. The board of directors had resolved to issue cash dividends from capital surplus of RMB \$396,952 thousand, RMB \$2.1 per share. The actual amount converted and paid in New Taiwan Dollars were NT\$1,712,016 thousand,

9.06 per share.

	<u>2021</u>	<u>2020</u>
Cash dividends	<u>\$2,675,892</u>	<u>\$1,712,016</u>
Cash dividends per share (NT\$)	\$ 13.38	\$ 9.06

d. Other equity items

Exchange differences on translating foreign operations

	<b>For the Nine Months Ended September 30</b>	
	<u>2022</u>	<u>2021</u>
Balance at January 1	(\$1,238,417)	(\$1,083,849)
Exchange differences on translating foreign operations	( 204,228 )	12,933
Exchange differences on translating to presentation currency	<u>1,083,697</u>	( <u>400,793</u> )
Balance at September 30	( <u>\$ 358,948</u> )	( <u>\$1,471,709</u> )

The relating exchange differences arising from the net assets of the Group's foreign operations which are translated from the functional currency to expression currency (i.e. NTD) are recognized in exchange differences on translating foreign operations of other comprehensive income.

## 20. REVENUE

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue from contracts with customers				
Revenue from sale of goods	<u>\$ 6,077,173</u>	<u>\$ 6,663,429</u>	<u>\$19,808,521</u>	<u>\$19,632,353</u>

a. Contract information

Revenue from sale of goods

The Group sells pneumatic control components to the wholesale market and directly to customers both through its own retail outlets. Volume discount is offered to wholesaler whose purchase exceeds a specific threshold. The amount of discount and related revenue are estimated using the most likely amount. All other goods are sold at respective fixed amounts as agreed in the contracts.

b. Contract balances

	<u>September 30, 2022</u>	<u>December 31, 2021</u>	<u>September 30, 2021</u>	<u>January 1, 2021</u>
Note receivables and trade receivables (Note 9)	<u>\$ 8,536,171</u>	<u>\$ 7,482,725</u>	<u>\$ 8,555,444</u>	<u>\$ 7,064,425</u>
Contract liabilities-current Sale of goods	<u>\$ 62,489</u>	<u>\$ 68,712</u>	<u>\$ 57,823</u>	<u>\$ 95,130</u>

c. Disaggregation of revenue

Refer to Note 34 for information about the disaggregation of revenue.

## 21. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

Net income from continuing operations includes:

a. Interest income

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2022	2021	2022	2021
Bank deposits	\$ 22,701	\$ 18,443	\$ 58,368	\$ 58,787
Financial assets at amortized cost	5,668	4,504	17,765	14,475
	<u>\$ 28,369</u>	<u>\$ 22,947</u>	<u>\$ 76,133</u>	<u>\$ 73,262</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2022	2021	2022	2021
Gain/(loss) on disposal of financial assets				
Financial assets designated as at FVTPL	\$ -	\$ 15,142	\$ 168,431	\$ 47,701
Financial liabilities held for trading (Note 7)	-	2,287	-	( 5,388 )
Net foreign exchange gains (losses)	88,728	( 13,037 )	248,849	( 75,250 )
Government grants	10,768	71,956	32,899	79,762
Gain on disposal of property, plant and equipment	2,951	3,563	( 76,190 )	( 83,110 )
Others	2,828	3,559	12,081	17,075
	<u>\$ 105,275</u>	<u>\$ 83,470</u>	<u>\$ 386,070</u>	<u>( \$ 19,210 )</u>

c. Financial costs

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2022	2021	2022	2021
Interest on bank loans	\$ 32,957	\$ 52,669	\$ 99,194	\$ 144,817
Interest on lease liability	1,467	1,495	4,281	4,322
	<u>\$ 34,424</u>	<u>\$ 54,164</u>	<u>\$ 103,475</u>	<u>\$ 149,139</u>

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2022	2021	2022	2021
An analysis of deprecation by function				
Operating costs	\$ 437,743	\$ 330,017	\$ 1,244,573	\$ 954,178
Operating expenses	111,627	102,454	332,259	303,353
	<u>\$ 549,370</u>	<u>\$ 432,471</u>	<u>\$ 1,576,832</u>	<u>\$ 1,257,531</u>
An analysis of amortization by function				
Operating costs	\$ 279	\$ 273	\$ 836	\$ 822
Operating expenses	3,989	4,094	12,061	11,857
	<u>\$ 4,268</u>	<u>\$ 4,367</u>	<u>\$ 12,897</u>	<u>\$ 12,679</u>

e. Employee benefits expense

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2022	2021	2022	2021
Share-based payments				
Compensation cost	\$ -	\$ 212,377	\$ -	\$ 212,377
Post-employment benefits				
Defined contribution plans	68,165	60,994	225,024	166,422
Other employee benefits	<u>1,495,180</u>	<u>1,494,719</u>	<u>4,636,855</u>	<u>4,151,775</u>
Total employee benefits expense	<u>\$ 1,563,345</u>	<u>\$ 1,768,090</u>	<u>\$ 4,861,879</u>	<u>\$ 4,530,574</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 899,506	\$ 926,533	\$ 2,914,415	\$ 2,513,363
Operating expenses	<u>663,839</u>	<u>841,557</u>	<u>1,947,464</u>	<u>2,017,211</u>
	<u>\$ 1,563,345</u>	<u>\$ 1,768,090</u>	<u>\$ 4,861,879</u>	<u>\$ 4,530,574</u>

f. Employees' compensation and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the three months and nine months ended September 30, 2022 and 2021, the employees' compensation and the remuneration of directors and supervisors were as follows:

Accrual rate

	For the Nine months Ended September 30	
	2022	2021
Employees' compensation	1.0%	1.0%

Amount

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2022	2021	2022	2021
Employees' compensation	<u>\$ 17,875</u>	<u>\$ 20,872</u>	<u>\$ 61,052</u>	<u>\$ 63,537</u>

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

The employees' compensation and remuneration to directors and supervisors for the years ended December 31, 2021 and 2020 which have been approved by the Company's board of directors on March 4, 2022 and March 8, 2021, respectively, were as follows:



Amount

	For the Year Ended December 31			
	2021		2020	
	Cash	Shares	Cash	Shares
Employees' compensation	\$ 83,142	\$ -	\$ 64,187	\$ -

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the bonus to employees, directors and supervisors approved in shareholders' meetings is available on the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gain or loss on foreign currency exchange

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2022	2021	2022	2021
Foreign exchange gains	\$ 94,063	\$ 24,607	\$ 272,957	\$ 52,448
Foreign exchange losses	( 5,335 )	( 37,644 )	( 24,108 )	( 127,698 )
Net losses (gains)	<u>\$ 88,728</u>	<u>( \$ 13,037 )</u>	<u>\$ 248,849</u>	<u>( \$ 75,250 )</u>

## 22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follow:

	For the Three Months Ended September 30		For the Nine months Ended September 30	
	2022	2021	2022	2021
Current tax				
In respect of the current period	\$ 307,799	\$ 439,570	\$ 1,062,094	\$ 1,256,854
Adjustments for prior periods	<u>1,309</u>	<u>1</u>	<u>( 9,020 )</u>	<u>( 148 )</u>
	<u>309,108</u>	<u>439,571</u>	<u>1,053,074</u>	<u>1,256,706</u>
Deferred tax				
In respect of the current period	<u>102,093</u>	<u>40,961</u>	<u>341,232</u>	<u>227,562</u>
Income tax expense recognized in profit or loss	<u>\$ 411,201</u>	<u>\$ 480,532</u>	<u>\$ 1,394,306</u>	<u>\$ 1,484,268</u>

b. Income tax assessments

The income tax returns of the Company and subsidiaries, except the Company and Instant Reach International Limited are exempted from income tax, Airtac International Group Taiwan Branch, and Airtac Enterprise Co., Ltd. have been examined and cleared by the ROC tax authority through 2020. The other subsidiaries have also filed business income tax returns by the deadlines set by the local governments.

## 23. EARNINGS PER SHARE

The weighted average number of shares outstanding used for the earnings per share computation were as follows:

### Net profit for the period

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Profit for the period attributable to owners of the Company	\$ 1,391,166	\$ 1,600,763	\$ 4,671,193	\$ 4,836,237
Earnings used in the computation of basic earnings per share	<u>1,391,166</u>	<u>1,600,763</u>	<u>4,671,193</u>	<u>4,836,237</u>
Earnings used in the computation of diluted earnings per share	<u>\$ 1,391,166</u>	<u>\$ 1,600,763</u>	<u>\$ 4,671,193</u>	<u>\$ 4,836,237</u>

### Weighted average number of ordinary shares outstanding (in thousand shares)

	<b>For the Three Months Ended September 30</b>		<b>For the Nine months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Weighted average number of ordinary shares in computation of basic earnings per share	200,000	189,025	200,000	189,025
Effect of dilutive potential ordinary shares:				
Employees' compensation	<u>25</u>	<u>24</u>	<u>105</u>	<u>89</u>
Weighted average number of ordinary shares used in computation of dilutive earnings per share	<u>200,025</u>	<u>189,049</u>	<u>200,105</u>	<u>189,114</u>

If the Company offered to settle bonuses paid to employees in cash or shares, the Company assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

## 24. SHARE-BASED PAYMENT ARRANGEMENTS

The Company issued new ordinary shares in September, 2021. The Company reserved 1,098 thousand of the newly issued shares for employees to subscribe. In accordance with IFRS 2 "share-based payment" accounting treatment, fair value method is adopted. Remuneration costs (accounting salary expenses) and capital surplus-employee share options of NT\$ 212,377 thousand were recognized on the grant date, and the amount has been fully recognized as of September 30, 2021.

Options were priced using a Black-Scholes pricing model. The inputs into the model were as follows:

	<u>Grant Date</u>
	September 14, 2021
Grant-date share price (\$)	\$910
Exercise price (\$)	\$718
Expected volatility	49.93%
Expected life	25 days
Risk-free interest rate	0.12%

## 25. GOVERNMENT GRANTS

The government grants indicate the governmental subsidies received by subsidiaries in Mainland China from the local finance bureau.

## 26. CASH FLOW INFORMATION

### 1. Non-Cash Transactions

The Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows during the period of the nine months ended September 30, 2022 and 2021.

- a. The Group acquired property, plant and equipment with an aggregate fair value of \$5,027,766 thousand during the period of the nine months ended September 30, 2022. Other non-current assets decrease \$714,760 thousand in total. Other payables decrease \$158,491 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$4,471,497 thousand (see the Note 12).
- b. The Group acquired property, plant and equipment with an aggregate fair value of \$2,893,587 thousand during the period of the nine months ended September 30, 2021. Other payables increase \$186,163 thousand in total. The cash paid of the Group for acquisition of property, plant and equipment was \$2,707,424 thousand (see the Note 12).
- c. The Group acquired the right-of-use assets with value of \$93,262 thousand during the nine months ended September 30, 2021. Lease liability increase \$66,904 thousand. The cash paid of the Group for right-of-use assets was \$26,358 thousand (see the Note 13).
- d. The cash dividends approved in the shareholders' meetings were not yet distributed as of September 30, 2022 was \$699,217 thousand. (refer to Note 17).

### 2. Reconciliation of liabilities arising from financing activities

For the period of the nine months ended September 30, 2022

	<u>Balance as of January 1, 2022</u>	<u>Cash Flow</u>	<u>Non-cash changes</u>				<u>Balance as of September 30, 2022</u>
			<u>New Leases</u>	<u>Adjustments</u>	<u>Finance cost</u>	<u>Foreign Exchange Movement</u>	
Short-term loans	\$ 3,712,644	\$ 5,445,004	\$ -	\$ -	\$ -	\$ 6,464	\$ 9,164,112
Short-term bill payable	780,000	( 480,000 )	-	-	-	-	300,000
Long-term loans	3,572,226	( 3,577,000 )	-	-	4,774	-	-
Lease liabilities	209,252	( 63,165 )	51,376	( 6,380 )	-	14,110	205,193
	<u>\$ 8,274,122</u>	<u>\$ 1,324,839</u>	<u>\$ 51,376</u>	<u>( \$ 6,380 )</u>	<u>\$ 4,774</u>	<u>\$ 20,574</u>	<u>\$ 9,669,305</u>

For the period of the nine months ended September 30, 2021

	Balance as of January 1, 2021	Cash Flow	Non-cash changes				Foreign Exchange Movement	Balance as of September 30, 2021
			New Leases	Adjustments	Finance cost			
Short-term loans	\$ 9,572,760	\$ 2,487,690	\$ -	\$ -	\$ -	( \$ 63,379 )		\$ 11,997,071
Short-term bill payable	1,100,000	50,000	-	-	-	-		1,150,000
Long-term loans	4,334,634	( 766,500 )	-	-	3,069	-		3,571,203
Lease liabilities	222,054	( 54,868 )	66,904	( 3,012 )	-	( 7,875 )		223,203
	<u>\$ 15,229,448</u>	<u>\$ 1,716,322</u>	<u>\$ 66,904</u>	<u>( \$ 3,012 )</u>	<u>\$ 3,069</u>	<u>( \$ 71,254 )</u>		<u>\$ 16,941,477</u>

## 27. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged.

The capital structure of the Group consists of net debt borrowings offset by cash and cash equivalents and equity of the Group comprising issued capital, reserves, retained earnings, other equity and non-controlling interests.

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a semi-annual basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

## 28. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The management of the Group considers that the carrying amounts of financial assets and liabilities not measured at fair value are close to the fair value.

### b. Fair value of financial instruments measured at fair value on a recurring basis

#### (1) Fair value hierarchy

September 30, 2022: None.

December 31, 2021:

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Mutual Funds	\$ 9,411	\$ -	\$ -	\$ 9,411
Foreign exchange forward contracts	-	7,444	-	7,444
Total	<u>9,411</u>	<u>7,444</u>	<u>\$ -</u>	<u>16,855</u>
<u>Financial liabilities at FVTPL</u>				
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 981</u>	<u>\$ -</u>	<u>\$ 981</u>

September 30, 2021:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVTPL</u>				
Mutual Funds	\$ 9,330	\$ -	\$ -	\$ 9,330
Foreign exchange forward contracts	-	7,350	-	7,350
Total	<u>9,330</u>	<u>7,350</u>	<u>-</u>	<u>16,680</u>
<u>Financial liabilities at FVTPL</u>				
Foreign exchange forward contracts	\$ -	\$ 443	\$ -	\$ 443

There were no transfers between the level 1 and level 2 during the period of the nine months ended September 30, 2022 and 2021.

(2) Valuation techniques and inputs applied for Level 2 fair value measurement

<b>Financial Instrument</b>	<b>Valuation Technique and Inputs</b>
Derivatives - foreign exchange forward contracts	<u>Discounted cash flow</u> Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

c. Categories of financial instruments

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Financial assets</u>			
Financial assets at FVTPL			
Designated as at FVTPL	\$ -	\$ 16,855	\$ 16,680
Financial assets at amortized cost (Note 1)	13,663,812	13,751,919	14,120,223
<u>Financial liabilities</u>			
FVTPL			
Held for trading	-	981	443
Measured at amortized cost (Note 2)	11,879,052	10,115,297	18,509,271

Note 1: The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, and notes receivable and trade receivables. Those reclassified to held-for-sale disposal groups are also included.

Note 2: The balances include financial liabilities at amortized cost, which comprise short-term loans, short-term bills payable, trade and other payables, and bonds issued. Those reclassified to held-for-sale disposal groups are also included.

d. Financial risk management objectives and policies

The Group's main financial instruments include cash and cash equivalents, notes and trade receivables, other receivables, short-term bills payable, notes and trade payables, other payables and loans. The finance department of the Group provides service to business departments, coordinates access to domestic and international financial markets, monitors

and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

#### 1. Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see Note (1) below) and interest rates (see Note (2) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

##### (1) Foreign currency risk

Several subsidiaries of the Company had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and of the derivatives exposing to foreign currency risk at the end of the reporting period are set out in Note 31.

##### Sensitivity analysis

The Group was mainly exposed to the currency USD.

The following table details the Group's sensitivity to a 1% increase and decrease in the functional currency against the USD. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the functional currency strengthen 1% against the USD. For a 1% weakening of the functional currency against the USD, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

	<b>USD Impact</b>		<b>RMB Impact</b>	
	<b>For the Nine Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Profit and losses	\$ 4,880	(\$ 16,856)	\$ 74,142	\$ 62,620

This was mainly attributable to the exposure outstanding on USD receivables and payables, which were not hedged at the end of the reporting period.

(2) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group borrow loans at both fixed and floating interest rates. To manage this risk, the Group maintains an appropriate mix of fixed and floating rate borrowings. The Group periodically evaluates hedging activities, view it with interest and consistent with the established risk appetite, using hedging strategies to ensure the most cost-effective.

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Fair value risk			
-Financial assets	\$ 2,585,240	\$ 4,520,979	\$ 3,364,875
-Financial liabilities	9,464,112	8,064,870	16,718,274
Cash flow risk			
-Financial assets	2,454,809	1,636,497	2,105,738
-Financial liabilities	-	-	-
<u>Sensitiveness analysis</u>			

The sensitivity analyses below were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher or lower and all other variables were held constant, the Group's pre-tax profit for the nine months ended September 30, 2022 and 2021 would increase or decrease by \$18,411 thousand and \$15,793 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and borrowings.

2. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by

the Group could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are audited and approved by the risk management committee annually.

The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk to any other counterparty did not exceed 1% of gross monetary assets at any time during the nine months ended September 30, 2022 and 2021.

The Group's concentration of credit risk by geographical locations was mainly in Mainland China, which accounted for 92.97%, 91.94%, and 93.01% of the total trade receivables as of September 30, 2022, December 31, 2021, and September 30, 2021, respectively.

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

### 3. Liquidity

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank loans as a significant source of liquidity. As of September 30, 2022, December 31, 2021, and September 30, 2021, the Group had available unutilized short-term bank loan facilities set out in (2) below.

#### (1) Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.



September 30, 2022

	<b>On Demand or Less than 3 Month</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,200,545	\$ 1,183,669	\$ -	\$ -
Lease liabilities	20,619	53,301	141,166	-
Fixed interest rate liabilities	8,911,540	556,371	-	-
	<u>\$ 11,132,704</u>	<u>\$ 1,793,341</u>	<u>\$ 141,166</u>	<u>\$ -</u>

December 31, 2021

	<b>On Demand or Less than 3 Month</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,408,908	\$ 625,968	\$ -	\$ -
Lease liabilities	11,250	54,233	152,818	-
Fixed interest rate liabilities	4,818,654	499,302	2,822,212	-
	<u>\$ 7,238,812</u>	<u>\$ 1,179,503</u>	<u>\$ 2,975,030</u>	<u>\$ -</u>

September 30, 2021

	<b>On Demand or Less than 3 Month</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 2,258,798	\$ 493,119	\$ -	\$ -
Lease liabilities	16,955	51,134	165,105	-
Fixed interest rate liabilities	12,487,701	1,500,226	2,834,889	-
	<u>\$ 14,763,454</u>	<u>\$ 2,044,479</u>	<u>\$ 2,999,994</u>	<u>\$ -</u>

(2) Liquidity and interest rate risk table for derivative financial liabilities

The following table details the Group's liquidity analysis of its derivative financial instruments. The table is based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed is determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

September 30, 2022: None.

December 31, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1 to 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contract	(\$ 294)	(\$ 687)	\$ -	\$ -	\$ -

September 30, 2021

	<b>On Demand or Less than 1 Month</b>	<b>1 to 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Net settled</u>					
Foreign exchange forward contract	(\$ 443)	\$ -	\$ -	\$ -	\$ -

(3) Financing facilities

	September 30, 2022	December 31, 2021	September 30, 2021
Unsecured bank loans (re-examined annually)			
-Amounts used	\$ 9,464,112	\$ 4,492,644	\$ 13,147,071
-Amounts unused	<u>13,680,101</u>	<u>17,306,206</u>	<u>7,605,338</u>
	<u>\$ 23,144,213</u>	<u>\$ 21,798,850</u>	<u>\$ 20,752,409</u>
Secured bank loans			
-Amounts used	\$ -	\$ 3,577,000	\$ 3,577,000
-Amounts unused	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 3,577,000</u>	<u>\$ 3,577,000</u>

e. Transfers of financial assets

During the nine months ended September 30, 2022 and 2021, the Group transferred a portion of its commercial acceptance bills in mainland China with an aggregate carrying amount of \$411,811 and \$381,979 thousand to some of its suppliers in order to settle the trade payables. According to the contract, if these commercial acceptance bills are not paid at maturity, suppliers have the right to request that the Group pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these commercial acceptance bills, it continues to recognize the full carrying amounts of these commercial acceptance bills.

As of September 30, 2022, December 31, 2021 and September 30, 2021, the carrying amount of these commercial acceptance bills that have been transferred but not derecognized was \$117,289 thousand, \$104,611 thousand and \$117,996 thousand respectively.

The Group transferred a portion of its banker's acceptance bills in mainland China to some of its suppliers in order to settle the trade payables to these suppliers. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of September 30, 2022, the face amounts of these unsettled bills receivable was \$294,592 thousand. The unsettled bills receivable will be due in 12 months after September 30, 2022. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

During the nine months ended September 30, 2022 and 2021, the Group did not recognize any gains or losses upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the current year or cumulatively.

The Group discounted trade receivables in mainland China to banks for cash proceeds. As the Group has transferred substantially all risks and rewards relating to these bills receivable, it derecognized the full carrying amount of the bills receivable and the associated trade payables. However, if the derecognized bills receivable are not paid at maturity, the suppliers have the right to request that the Group pay the unsettled balance; therefore, the Group still has continuing involvement in these bills receivable.

The maximum exposure to loss from the Group's continuing involvement in the derecognized bills receivable is equal to the face amounts of the transferred but unsettled bills receivable, and as of September 30, 2022 and December 31, 2021, the face amounts of these unsettled bills receivable were \$1,490,124 thousand and \$1,504,372 thousand. The unsettled bills receivable will be due in 12 months after September 30, 2022. Taking into consideration the credit risk of these derecognized bills receivable, the Group estimates that the fair values of its continuing involvement are not significant.

During the nine months ended September 30, 2022, the Group recognized financial cost of \$23,611 thousand upon the transfer of the banker's acceptance bills. No gains or losses were recognized from the continuing involvement, both during the current year or cumulatively.

## 29. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenue and expenses between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

### (1) Name and relation

Name	Relation
Behealthy Electronic Technology Co., Ltd.	Substantive related parties ( the responsible person of the party is the director of the Group)

### (2) Operating transaction

Line Item	Related Party Category/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2022	2021	2022	2021
Sales	Substantive related parties ( the responsible person of the party is the director of the Group)	\$ 26	\$ 8	\$ 99	\$ 45

The sales prices and payment terms to related parties were not significantly different from those of sales to third parties.

(3) The trade receivables from related parties on the date of balance sheet were as follows:

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Trade Receivables	Substantive related parties ( the responsible person of the party is the director of the Group)	<u>\$ 5</u>	<u>\$ 52</u>	<u>\$ 4</u>

No expense was recognized for the nine months ended September 30, 2022 and 2021 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

(4) Compensation of key management personnel

The compensation to directors and other key management personnel were as follows:

	<b>For the Three Months Ended September 30</b>		<b>For the Nine Months Ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Short-term employee benefits	<u>\$30,215</u>	<u>\$12,082</u>	<u>\$93,312</u>	<u>\$81,577</u>

The compensation to directors and other key management personnel were determined by the Remuneration Committee of Airtac in accordance with the individual performance and the market trends.

### 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank loans and the electricity tariff guarantee:

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
Pledge deposits (classified as financial assets at amortized cost)	\$ 6,483	\$ 6,188	\$ 6,132
Restricted bank deposits (classified as financial assets at amortized cost)	38,021	36,924	15,068
Land	890,359	890,359	890,359
Machinery and Equipment	4,852,471	4,829,920	4,840,319
Buildings, net	<u>1,460,002</u>	<u>1,600,924</u>	<u>1,680,745</u>
	<u>\$ 7,247,336</u>	<u>\$ 7,364,315</u>	<u>\$ 7,432,623</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group were as follows:

	September 30, 2022	December 31, 2021	September 30, 2021
Acquisition of property, plant and equipment	<u>\$ 1,532,226</u>	<u>\$ 4,054,353</u>	<u>\$ 4,134,916</u>

### 32. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

#### September 30, 2022

	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,658	7.10(USD: RMB)	\$ 560,772
USD	880	31.76(USD: NTD)	27,940
RMB	1,714,717	4.47(RMB: NTD)	7,669,931

#### Financial liabilities

Monetary items			
USD	\$ 1,916	7.10(USD: RMB)	\$ 60,841
USD	1,257	31.76(USD: NTD)	39,908
RMB	57,157	4.47(RMB: NTD)	255,724

#### December 31, 2021

	Foreign currency	Exchange rate	Carrying amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,745	6.37(USD: RMB)	\$ 490,818
USD	636	27.66(USD: NTD)	17,584
RMB	1,432,600	4.34(RMB: NTD)	6,223,214

#### Financial liabilities

Monetary items			
USD	\$ 816	6.37(USD: RMB)	\$ 22,570
USD	981	27.66(USD: NTD)	27,131
RMB	65,273	4.34(RMB: NTD)	283,546

September 30, 2021

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u>
<u>Financial assets</u>			
Monetary items			
USD	\$ 16,360	6.49(USD: RMB)	\$ 456,766
USD	358	27.95(USD: NTD)	10,005
RMB	1,520,743	4.31(RMB: NTD)	6,546,800
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 76,047	6.49(USD: RMB)	\$ 2,123,217
USD	1,045	27.95(USD: NTD)	29,163
RMB	66,147	4.31(RMB: NTD)	284,764

For the three months and nine months ended September 30, 2022 and 2021, realized and unrealized net foreign exchange gains (losses) were \$88,728 thousand, (\$13,037) thousand, \$248,849 thousand and (\$75,250) thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

### **33. DISCLOSED ITEMS**

(1) Information about significant transactions and (2) investees:

1. Loans provided to other parties (Table 1)
2. Endorsements/guarantees given to other parties (None)
3. Marketable securities held (excluding investments in subsidiaries, associates and joint controlled entities) (Table 3)
4. Purchases or sales of the same marketable securities amounting to at least NT\$300 million or 20% of the paid-in capital. (Table 4)
5. Acquisition of real estate at costs of at least NT \$300 million or 20% of the paid-in capital (Table 5)
6. Disposal of real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
7. Purchases or sales with related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)

8. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
  9. Derivative transactions (Note 7)
  10. Intercompany relationships and significant intercompany transactions (Table 9)
- (2) Information for investees (Table 2)
- (3) Information for investments in Mainland China
1. Information for any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
  2. Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1 and 9)
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements/guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the ending balance, the interest rate range, and the total of current interest with respect to loans provided.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.
- (4) Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder. (Table 10)

### 34. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

Pneumatic components - direct sales  
- distributors

#### a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	<b>Revenues</b>		<b>Profit Before Tax</b>	
	<b>For the Nine Months Ended</b>		<b>For the Nine months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Pneumatic components				
-Direct sales	\$ 13,978,403	\$ 12,963,822	\$ 4,606,792	\$ 4,898,511
-Distributors	<u>5,830,118</u>	<u>6,668,531</u>	<u>1,921,461</u>	<u>2,532,343</u>
Total amounts of continuing operations	<u>\$ 19,808,521</u>	<u>\$ 19,632,353</u>	6,528,253	7,430,854
Interest income			76,133	73,262
Gain on disposal of property, plant and equipment			( 76,190)	( 83,110)
Net exchange gains (losses)			248,849	( 75,250)
Net gain arising on financial assets designated as at FVTPL			168,849	42,313
HQ admin. cost and directors' salaries			( 776,864)	( 918,954)
Finance costs			( 103,475)	( 149,139)
Profit before income tax from continuing operations			<u>\$ 6,065,137</u>	<u>\$ 6,319,976</u>

The segment revenues were accounted for the transactions with external customers. No inter-segment sales occurred for the nine months ended September 30, 2022 and 2021.

Segment profit represented the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognized on the disposal of interest in former associates, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, gain or loss on disposal of financial instruments, exchange gain or loss, valuation gain or loss on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.



b. Segment total assets

	<b>September 30, 2022</b>	<b>December 31, 2021</b>	<b>September 30, 2021</b>
<u>Segment assets</u>			
Pneumatic components			
-Direct sales	\$ 36,650,935	\$ 31,125,695	\$ 30,108,589
-Distributors	<u>15,291,424</u>	<u>15,971,922</u>	<u>15,495,806</u>
Total segment total assets	51,942,359	47,097,617	45,604,395
Unallocated assets	<u>451,347</u>	<u>581,039</u>	<u>588,153</u>
Consolidated total assets	<u>\$ 52,393,706</u>	<u>\$ 47,678,656</u>	<u>\$ 46,192,548</u>

For the purpose of monitoring segment performance and allocating resources between segments:

All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, other financial assets, and current and deferred tax assets. Goodwill was allocated to reportable segments. Assets used jointly by reportable segments were allocated on the basis of the revenues earned by individual reportable segments.

**TABLE 1**

**AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**

**LOANS PROVIDED TO OTHER PARTIES  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Specified Otherwise)**

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period (Note1)	Ending Balance (Note1)	Actual Borrowing Amount	Interest Rate	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limits	Note
													Item	Value			
0	Airtac International Group	ATC (ITALIA) S.R.L	Other receivables	Yes	EUR 7,000 (NTD 218,820 )	EUR 4,000 (NTD 125,040 )	EUR 2,900 (NTD 90,654 )	-	Short-term financing needs	\$ -	Revolving fund	\$ -	-	-	\$ 15,207,477	\$ 15,207,477	Note 2
0	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd	Other receivables	Yes	USD 20,000 (NTD 635,148)	USD 10,000 (NTD 317,574 )	USD - (NTD - )	-	Short-term financing needs	-	Revolving fund	-	-	-	15,207,477	15,207,477	Note 2
0	Airtac International Group	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Other receivables	Yes	USD 4,000 (NTD 127,030)	USD 1,500 (NTD 47,636)	USD 450 (NTD 14,291)	-	Short-term financing needs	-	Revolving fund	-	-	-	15,207,477	15,207,477	Note 2
0	Airtac International Group	Airtac Co., Ltd	Other receivables	Yes	USD 9,500 (NTD 301,695)	USD 9,000 (NTD 285,817)	USD 5,005 (NTD 158,955)	-	Short-term financing needs	-	Revolving fund	-	-	-	15,207,477	15,207,477	Note 2
0	Airtac International Group	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	Other receivables	Yes	USD 5,500 (NTD 174,666)	USD 3,500 (NTD 111,151)	USD 2,320 (NTD 73,677)	-	Short-term financing needs	-	Revolving fund	-	-	-	15,207,477	15,207,477	Note 2
0	Airtac International Group	AIRTAC USA CORPORATION	Other receivables	Yes	USD 13,000 (NTD 412,846)	USD 9,000 (NTD 285,817)	USD 7,750 (NTD 246,120)	-	Short-term financing needs	-	Revolving fund	-	-	-	15,207,477	15,207,477	Note 2

Note 1: Conversion to NTD used the spot exchange rate on September 30, 2022, that is, 1USD=31.7574 NTD, 1EUR=31.2600 NTD.

Note 2: According to Company’s Loans to Others Procedure, the limits on loans provided to other parties is 40% of the Group’s net worth at the end of the period.

TABLE 2

## AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

### INFORMATION FOR INVESTEEES

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(In Thousands of New Taiwan Dollars and Foreign Currencies, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		September 30, 2022			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				September 30, 2022 (Note1)	December 31, 2021 (Note1)	Shares	%	Carrying Amount			
Airtac International Group	AIRTAC INDUSTRIAL (HONG KONG) LIMITED	Hong Kong	General investment	USD 87,500 RMB 467,000 (NTD 4,869,900)	USD 87,500 RMB 467,500 (NTD 4,869,900)	157,634,522	100	\$ 31,959,574	\$ 4,167,069	\$ 4,167,069	2
	AIRTAC TRADING (HONG KONG) LIMITED	Hong Kong	General investment	USD - (NTD -)	USD - (NTD -)	7,000,000	100	2,389	49	49	2
	INSTANT REACH INTERNATIONAL LIMITED	British Virgin Island	General investment	USD 2,283 EUR 1,000 RMB 17,500 (NTD 182,040)	USD 2,283 EUR 1,000 RMB 17,500 (NTD 182,040)	1	100	95,919	( 7,879)	( 7,879)	2
	AIRTAC HOLDING (SINGAPORE) PTE. LTD.	Singapore	General investment	USD 17,000 (NTD 539,876)	USD 17,000 (NTD 539,876)	17,000,000	100	83,323	( 21,001)	( 21,001)	2
INSTANT REACH INTERNATIONAL LIMITED	Airtac Enterprise Co., Ltd.	Taiwan	Processing, sales and import/export of machines and components	NTD 54,581	NTD 54,581	69,435	69.44	20,326	( 1,184)	-	4
	ATC (ITALIA) S.R.L	Via Mauro Macchi n.27, 20124 Milano (MI)	Production and sales of pneumatic and hydraulic control components	EUR 4,000 (NTD 125,040)	EUR 4,000 (NTD 125,040)	4,000,000	100	49,854	( 7,058)	-	4
AIRTAC HOLDING (SINGAPORE) PTE. LTD.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	Singapore	Production and sales of pneumatic control components and accessories	USD 12,500 (NTD 396,968)	USD 12,500 (NTD 396,968)	12,500,000	100	316,606	14,234	-	4
	Airtac Co., Ltd.	Japan	Production and sales of pneumatic control components and accessories	JPY 98,000 (NTD 21,570)	JPY 98,000 (NTD 21,570)	2,000	100	( 78,039)	( 688)	-	4
	AIRTAC USA CORPORATION	USA	Production and sales of pneumatic control components and accessories	USD 3,000 (NTD 95,272)	USD 3,000 (NTD 95,272)	3,000	100	( 163,435)	( 35,158)	-	4
AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	Malaysia	Production and sales of pneumatic control components and accessories	MYR 1,000 (NTD 6,596)	MYR 1,000 (NTD 6,596)	1,000,000	100	( 26,222)	( 2,263)	-	4
	AIRTAC INDUSTRIAL CO., LTD.	Thailand	Production and sales of pneumatic control components and accessories	THB 100,000 (NTD 84,470)	THB 100,000 (NTD 84,470)	1,000,000	100	103,969	13,349	-	4

Note 1 : Conversion to NTD used the spot exchange rate on September 30, 2022, that is, 1 USD=31.7574 NTD, 1 EUR=31.2600 NTD, 1 JPY=0.2201 NTD, 1 RMB= 4.4730 NTD, 1 MYR=6.5960 NTD, 1THB=0.8447 NTD.

Note 2 : The amount was eliminated upon consolidation.

Note 3 : Please refer to Table 8 for information on investment in mainland China.

Note 4: The share of profits/losses of the investee company is not reflected herein as such amount is already included in the share of profits/losses of the investor company.

TABLE 3

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES  
MARKETABLE SECURITIES HELD  
SEPTEMBER 30, 2022  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	SEPTEMBER 30, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Guangdong Airtac Automatic Industrial Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	\$ 112,117 (RMB 25,065)	-	\$ 112,117 (RMB 25,065)	1
Airtac (China) Co., Ltd.	Structured deposits	-	Financial assets at amortized cost - current	-	671,612 (RMB 150,148)	-	671,612 (RMB 150,148)	1

Note1 : Conversion to NTD used the spot exchange rate on September 30, 2022, that is, 1 RMB=4.4730 NTD.

TABLE 4

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance (Note 1)		Acquisition (Note 1)		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
Airtac (China) Co., Ltd.	Structured deposits	Financial assets at amortized cost - current	Fubon Bank (China)	-	-	\$ 1,841,203 (RMB 411,626)	-	\$ 2,057,580 (RMB 460,000)	-	\$ 3,244,106 (RMB 725,264)	\$ 3,220,560 (RMB 720,000)	\$ 23,546 (RMB 5,264)	-	\$ 671,612 (RMB 150,148)

Note1 : Conversion to NTD used the spot exchange rate on September 30, 2022, that is, 1 RMB=4.4730 NTD.

TABLE 5

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

ACQUISITION OF REAL ESTATE AT COSTS OF AT LEAST \$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Acquiring company	Title of property	Transaction date or occurrence date	Transaction amount	Payment	Counterparty	Relationship	Where the counterparty is a related party, the previous transfer information				Pricing reference and basis	Purpose of acquisition and use	Other agreements
							Owner	Relationship with issuer	Date of transfer	Amount			
Ningbo Airtac Automatic Industrial Co., Ltd	Plant	2010.09.08-2022.09.30	\$2,068,862	\$1,680,450	Self-building	-	-	-	-	\$ -	N/A	Manufacturing purpose	-
Guangdong Airtac Intelligent Equipment Co., Ltd.	Research base and logistics centers	2019.01.07-2022.09.30	364,550	334,044	Self-building	-	-	-	-	-	N/A	R&D and logistics purpose	-

TABLE 6

# **AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**

**PURCHASES OR SALES WITH RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022  
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Purchaser (Seller)	Counterparty	Relationship	Transaction				Non-arm's Length Transaction and Reasons		Notes/Trade Payables/ Receivable		Note
			Purchase (Sale)	Amount	% of Total	Payment Term	Unit Price (Note)	Payment Terms (Note)	Balance	% to Total	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	Sales	\$ 10,653,959	90	T/T 120 days	\$ -	-	\$705,324	52	
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	The parent company	Sales	366,276	3	T/T 120 days	-	-	228,458	17	
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Automatic Industrial Co., Ltd.	The same parent company	Sales	386,780	3	T/T 120 days	-	-	178,858	13	
Ningbo Airtac Automatic Industrial Co., Ltd.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	The same parent company	Sales	103,649	1	T/T 120 days	-	-	47,333	4	
Ningbo Airtac Automatic Industrial Co., Ltd.	ATC (ITALIA) S.R.L.	The same parent company	Sales	166,165	1	T/T 120 days	-	-	101,077	7	
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	Sales	886,069	37	T/T 120 days	-	-	652,458	30	
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	Sales	688,070	29	T/T 120 days	-	-	706,091	32	
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	Sales	567,862	24	T/T 120 days	-	-	716,060	33	
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	Sales	959,371	31	T/T 120 days	-	-	1,615,609	49	
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	Sales	1,508,585	49	T/T 120 days	-	-	1,531,346	46	
Airtac (China) Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	Sales	4,104,462	26	T/T 120 days	-	-	-	-	
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	Subsidiary	Sales	4,433,456	28	T/T 120 days	-	-	828,588	30	
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Subsidiary	Sales	710,097	4	T/T 120 days	-	-	164,042	6	
Airtac (China) Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	Subsidiary	Sales	447,267	3	T/T 120 days	-	-	-	-	
Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	Sales	761,073	13	T/T 120 days	-	-	189,883	11	

Note: The sales prices and payment terms to related parties were not significantly different from those of sales to the third parties.

TABLE 7

# **AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES**

## **RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**SEPTEMBER 30, 2022**

**(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)**

Name	Related Party	Relationship	Ending Balance	Turnover rate (%)	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Ningbo Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Automatic Industrial Co., Ltd.	The same parent company	\$ 178,858	3	\$ -	-	\$ 46,609	\$ -
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	705,324	8	-	-	705,324	-
Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	The parent company	228,458	2	-	-	-	-
Ningbo Airtac Automatic Industrial Co., Ltd.	ATC (ITALIA) S.R.L	The same parent company	101,077	2	-	-	-	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (China) Co., Ltd.	The same parent company	652,458	2	-	-	89,460	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	The same parent company	706,091	1	-	-	-	-
Guangdong Airtac Automatic Industrial Co., Ltd.	Airtac (Jiangsu) Automatic Co., Ltd.	The same parent company	716,060	1	-	-	44,730	-
Airtac (China) Co., Ltd.	Guangdong Airtac Intelligent Equipment Co., Ltd.	Subsidiary	828,588	6	-	-	146,992	-
Airtac (China) Co., Ltd.	Airtac (Tianjin) Intelligent Technology Co., Ltd.	Subsidiary	164,042	6	-	-	15,785	-
Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (China) Co., Ltd.	The parent company	189,883	9	-	-	73,491	-
Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	Subsidiary	1,615,609	1	-	-	-	-
Airtac International Group	Airtac (China) Co., Ltd.	Subsidiary	1,531,346	1	-	-	84,775	-
Airtac International Group	AIRTAC USA CORPORATION	Subsidiary	246,120	Note 1	-	-	-	-
Airtac International Group	Airtac Co., Ltd.	Subsidiary	158,955	Note 1	-	-	-	-

Note 1: The financial statement account is other receivables. Therefore, there is no turnover rate.



TABLE 8

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## INFORMATION FOR INVESTMENTS IN MAINLAND CHINA

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company Name	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Investment Outflow from Taiwan as of January 1, 2022	Investment Flow for the Period		Accumulated Investment Outflow from Taiwan as of September 30, 2022	Net income of Investee Company	% of Ownership – Direct or Indirect investment	Investment Gain (Loss) Recognized for the Period (Note 2)	Carrying Amount as of September 30, 2022	Accumulated Inward Remittance of Earnings as of September 30, 2022	Note
					Outflow	Inflow							
Ningbo Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 52,000 RMB 347,500 (NTD 3,205,753)	N/A	N/A	\$ -	\$ -	N/A	\$ 2,253,677	100	\$ 2,223,478	\$ 20,484,821	N/A	
Guangdong Airtac Automatic Industrial Co., Ltd	Production of pneumatic control components and auxiliary components	USD 6,000 (NTD 190,544)	N/A	N/A	-	-	N/A	609,432	100	605,509	3,931,843	N/A	
Airtac (China) Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 18,000 RMB 126,000 (NTD 1,135,231)	N/A	N/A	-	-	N/A	1,131,852	100	1,163,546	6,095,832	N/A	
Airtac (Jiangsu) Automatic Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	USD 1,500 RMB 56,000 (NTD 298,124)	N/A	N/A	-	-	N/A	373,576	100	373,576	1,988,695	N/A	
Guangdong Airtac Intelligent Equipment Co., Ltd..	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 44,730)	N/A	N/A	-	-	N/A	397,894	100	397,894	1,109,133	N/A	
Airtac (Tianjin) Intelligent Technology Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 44,730)	N/A	N/A	-	-	N/A	46,527	100	46,527	163,228	N/A	
Airtac (Fujian) Intelligent Equipment Co., Ltd.	Wholesale and agency of pneumatic components, tools and equipment, and related support services	RMB 10,000 (NTD 44,730)	N/A	N/A	-	-	N/A	65,420	100	65,420	211,946	N/A	

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
N/A	N/A	N/A

Note 1: The ways to invest in companies in Mainland China are classified into three types below. Mark the type of investment:

1. Direct investment in China.
2. Investment in China through a company registered in the third region.
3. Other ways.

Note 2: The amount was calculated based on financial statements audited by a multinational accounting firm having a cooperative relationship with an accounting firm in Taiwan.

Note 3: Conversion to NTD used the spot exchange rate on September 30, 2022, that is, 1 USD=31.7574 NTD, 1RMB=4.4730 NTD.

TABLE 9

# AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

## INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
0	Airtac International Group	Ningbo Airtac Automatic Industrial Co., Ltd.	1	Trade receivables	\$ 1,615,609	General terms and conditions	3%
		Ningbo Airtac Automatic Industrial Co., Ltd.	1	Sales revenue	959,371	General terms and conditions	5%
		Ningbo Airtac Automatic Industrial Co., Ltd.	1	Sale of fixed assets	635,548	General terms and conditions	3%
		Airtac (China) Co., Ltd	1	Trade receivables	1,531,346	General terms and conditions	3%
		Airtac (China) Co., Ltd	1	Sales revenue	1,508,585	General terms and conditions	8%
		Guangdong Airtac Automatic Industrial Co., Ltd.	1	Trade receivables	12,527	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd.	1	Sales revenue	52,717	General terms and conditions	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	1	Other receivable	73,677	General terms and conditions	-
		ATC (ITALIA) S.R.L	1	Other receivable	90,654	General terms and conditions	-
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	1	Other receivable	14,291	General terms and conditions	-
		AIRTAC USA CORPORATION	1	Other receivable	246,120	General terms and conditions	-
		Airtac Co., Ltd.	1	Other receivable	158,955	General terms and conditions	-
1	Ningbo Airtac Automatic Industrial Co., Ltd.	Airtac International Group	2	Trade receivables	228,458	General terms and conditions	-
		Airtac International Group	2	Sales revenue	366,276	General terms and conditions	2%
		Airtac (China) Co., Ltd	3	Trade receivables	705,324	General terms and conditions	1%
		Airtac (China) Co., Ltd	3	Sales revenue	10,653,959	General terms and conditions	54%
		Guangdong Airtac Automatic Industrial Co., Ltd.	3	Trade receivables	178,858	General terms and conditions	-
		Guangdong Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	386,780	General terms and conditions	2%
		Guangdong Airtac Automatic Industrial Co., Ltd.	3	Other receivable	19,669	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Trade receivables	101,077	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Sales revenue	166,165	General terms and conditions	1%
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3	Trade receivables	12,811	General terms and conditions	-
		AIRTAC INDUSTRIAL (MALAYSIA) SDN. BHD.	3	Sales revenue	32,668	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Trade receivables	53,401	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	90,782	General terms and conditions	-

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
2	Guangdong Airtac Automatic Industrial Co., Ltd	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Trade receivables	47,333	General terms and conditions	-
		AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Sales revenue	103,649	General terms and conditions	1%
		AIRTAC INDUSTRIAL CO., LTD.	3	Trade receivables	16,865	General terms and conditions	-
		AIRTAC INDUSTRIAL CO., LTD.	3	Sales revenue	40,239	General terms and conditions	-
		Airtac Co., Ltd.	3	Sales revenue	18,553	General terms and conditions	-
		Airtac International Group	2	Trade receivables	22,191	General terms and conditions	-
		Airtac International Group	2	Sales revenue	55,093	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Trade receivables	36,499	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Sales revenue	92,431	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd	3	Other receivables	13,409	General terms and conditions	-
		Airtac (China) Co., Ltd	3	Trade receivables	652,458	General terms and conditions	1%
		Airtac (China) Co., Ltd	3	Sales revenue	886,069	General terms and conditions	4%
		ATC (ITALIA) S.R.L	3	Trade receivables	10,106	General terms and conditions	-
		ATC (ITALIA) S.R.L	3	Sales revenue	29,062	General terms and conditions	-
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Trade receivables	716,060	General terms and conditions	1%
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Sales revenue	567,862	General terms and conditions	3%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	706,091	General terms and conditions	1%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	688,070	General terms and conditions	3%
		AIRTAC USA CORPORATION	3	Trade receivables	25,876	General terms and conditions	-
		AIRTAC USA CORPORATION	3	Sales revenue	39,571	General terms and conditions	-
3	Airtac (China) Co., Ltd.	AIRTAC INTERNATIONAL (SINGAPORE) PTE. LTD.	3	Sales revenue	22,702	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Trade receivables	71,155	General terms and conditions	-
		Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	69,976	General terms and conditions	-
		Airtac (Jiangsu) Automatic Co., Ltd.	3	Sales revenue	4,104,462	General terms and conditions	21%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Trade receivables	828,588	General terms and conditions	2%
		Guangdong Airtac Intelligent Equipment Co., Ltd.	3	Sales revenue	4,433,456	General terms and conditions	22%
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Trade receivables	164,042	General terms and conditions	-
		Airtac (Tianjin) Intelligent Technology Co., Ltd.	3	Sales revenue	710,097	General terms and conditions	4%

No.	Company Name	Counter Party	Nature of Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Consolidated Sales or Assets
4	Guangdong Airtac Intelligent Equipment Co., Ltd.	Airtac (Fujian) Intelligent Equipment Co., Ltd.	3	Sales revenue	447,267	General terms and conditions	2%
		Airtac (China) Co., Ltd.	3	Trade receivables	189,883	General terms and conditions	-
		Airtac (China) Co., Ltd.	3	Sales revenue	761,073	General terms and conditions	4%
5	Airtac Co. Ltd.	Ningbo Airtac Automatic Industrial Co., Ltd.	3	Sales revenue	16,687	General terms and conditions	-

Note : No 1.Represents the transactions from parent company to subsidiary.

No 2. Represents the transactions from subsidiary to parent company.

No 3.Represents the transactions from subsidiary to subsidiary.

**AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES****INFORMATION OF MAJOR SHAREHOLDERS**  
**September 30, 2022**

<b>Name of Major Shareholder</b>	<b>Shares</b>	
	<b>Number of Shares</b>	<b>Percentage of Ownership (%)</b>
Ding Kan Investment Ltd.	27,807,227	13.90%
YHZ Ltd.	11,507,142	5.75%
Express Brilliant Ltd.	10,350,000	5.17%

Note: The percentage of ownership of major shareholders included in the table should be more than 5%, which was calculated based on the total number of ordinary shares owned in the last trading day of the quarter that were traded in and registered electronically and was prepared by the Taiwan Depository & Clearing Corporation . In addition, the share capital and the actual number of traded shares with the completion of electronic registration stated in the consolidated financial statements might vary due to different calculation basis.